



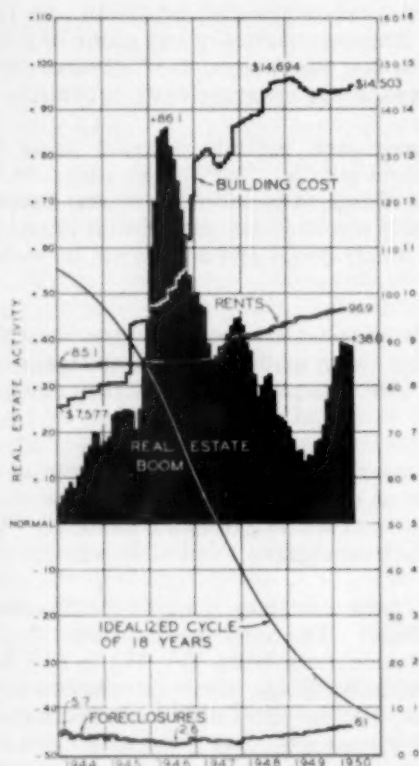
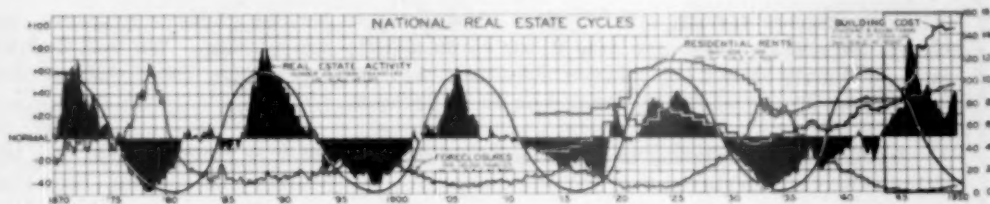
The Real Estate TRENDS

JUNE 30
1950

Volume XIX

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

Number 29



REAL ESTATE ACTIVITY

In May, for the second consecutive month, real estate activity fell off a bit. To be sure, the drops taken in May and April amount to very little and real estate activity is still moving along briskly. Nevertheless, this is the first time in over a year that our index has dropped two months in a row. The index is now 38 points above the long-term computed normal, or 1.8 points below its March 1950 reading.

There are a number of cities where the activity index is continuing its rise. Duluth has recovered rather strongly following a February slump; so have Houston and Oklahoma City. Kansas City, Missouri, Miami, Pittsburgh and San Antonio are also enjoying a continued rise.

Last month we pointed out the hazards of trying to guess the minor deviations of the real estate activity cycle. We don't try very often, but this month (June) we will guess that activity will be down a little bit more. Forecasting the swings of the real

estate cycle is a good deal like forecasting the ebb and flow of the tide - although not so precise. Forecasting how far an individual wave will come is entirely another matter.

Small month-to-month changes in the activity index really mean very little. Their accumulated total is what is important to the long-term investor. Quite frequently our clients write to us concerning some apparent bargain they can pick up and ask for our reactions. We almost invariably answer that it is still possible to find bargains in the real estate field (as well as many others), and point out that, generally speaking, a bargain can always be found somewhere regardless of the position of the cycle.

A purchaser usually buys a piece of real estate for one of three reasons: as a home, as a long-term investment, or to do a little speculating. We feel that as a rule, a family should buy a home when they want one and can pay for it without undue sacrifice. It should not be treated as an investment.

Insofar as speculating is concerned, we believe that it is very risky at this time unless the circumstances are most unusual. We realize, of course, that some operators are shrewd enough to make money by speculating at almost any time, but the present market is a good one for the inexperienced speculator to ignore.

Good, sound, long-term investments in real estate are still available, but they are scarce and growing more so each day. Whereas virtually any piece of property would have been practically gilt-edged a few years ago, the time has come when the prudent long-term investor must weigh his chances very carefully.

REAL ESTATE MORTGAGE ACTIVITY

Real estate mortgage activity dropped again for the third straight month. Our index, based on the latest available data, has fallen from its January reading of 198.3 to 190.6 in April of this year. As

in the case of real estate activity, these are small drops and should not be viewed with alarm.

Through the first four months of 1950 mortgage activity was between 37 and 45 points above each corresponding month of 1949. As a matter of fact, mortgage activity has gotten off to a far better start in 1950 than in any of the preceding 20 years.

There are two factors that will possibly spur mortgage activity higher in the next few months. One is the October deadline on combination VA-FHA loans which is causing veterans to rush their buying plans in order to get under the wire. The other is FNMA's new policy of turning over her mortgages somewhat faster.

RESIDENTIAL CON- STRUCTION COSTS

Construction costs moved up again in the St. Louis area during June. The cost of our standard six-room frame house rose from \$14,473 to \$14,503, while the other buildings rose proportionately.

Steel items have contributed some to this rise, but the chief reason is found in increased lumber prices. Red oak flooring, for example, has gone up almost 35% since February, and indications are that July will see another boost in material

**COMPARISON OF VARIATIONS IN COSTS, RENTS AND TAXES
FOR A STANDARD HOUSE
(National Average)**

	1942	1946	1948	1950
Value of lot - City	\$ 1,071	\$ 1,534	\$ 1,617	\$ 1,840
Ditto - Suburbs	751	1,040	1,156	1,300
Value of house & lot - City	7,973	13,916	16,357	16,630
Ditto - Suburbs	7,443	12,956	15,600	15,580
Monthly rent - City	67	92	120	123
Ditto - Suburbs	62	83	106	110
*Taxes, owner & tenant occupancy - City	179	229	259	285
*Ditto - Suburbs	114	141	170	190
**Taxes, owner occupancy - City	132	182	216	225
**Ditto - Suburbs	61	93	99	119
**Taxes, tenant occupancy - City	188	231	229	294
**Ditto - Suburbs	102	133	146	172
Value ? times monthly rent	119	151	136	135
Ditto - Suburbs	120	156	147	142
Annual rent as % of value	10.1%	7.9%	8.8%	8.9%
Ditto - Suburbs	10.0%	7.7%	8.2%	8.5%

*Cities not having homestead tax exemption.

**Cities having homestead tax exemption.

prices translated into higher construction costs. It will be a number of months before any worthwhile declines are apparent.

We are preparing a complete new manual on construction costs. It will contain pictures, floor plans, specifications, and a complete breakdown of construction costs on all six of our residential buildings from 1913 to the present. Our commercial building will have the same information from 1939 to the present. Cubic content and square foot figures will be shown for each building and the building's cost for each period will be shown in total dollars, in cents per cubic foot and in dollars per square foot. All subscribers will receive a copy of this manual upon completion.

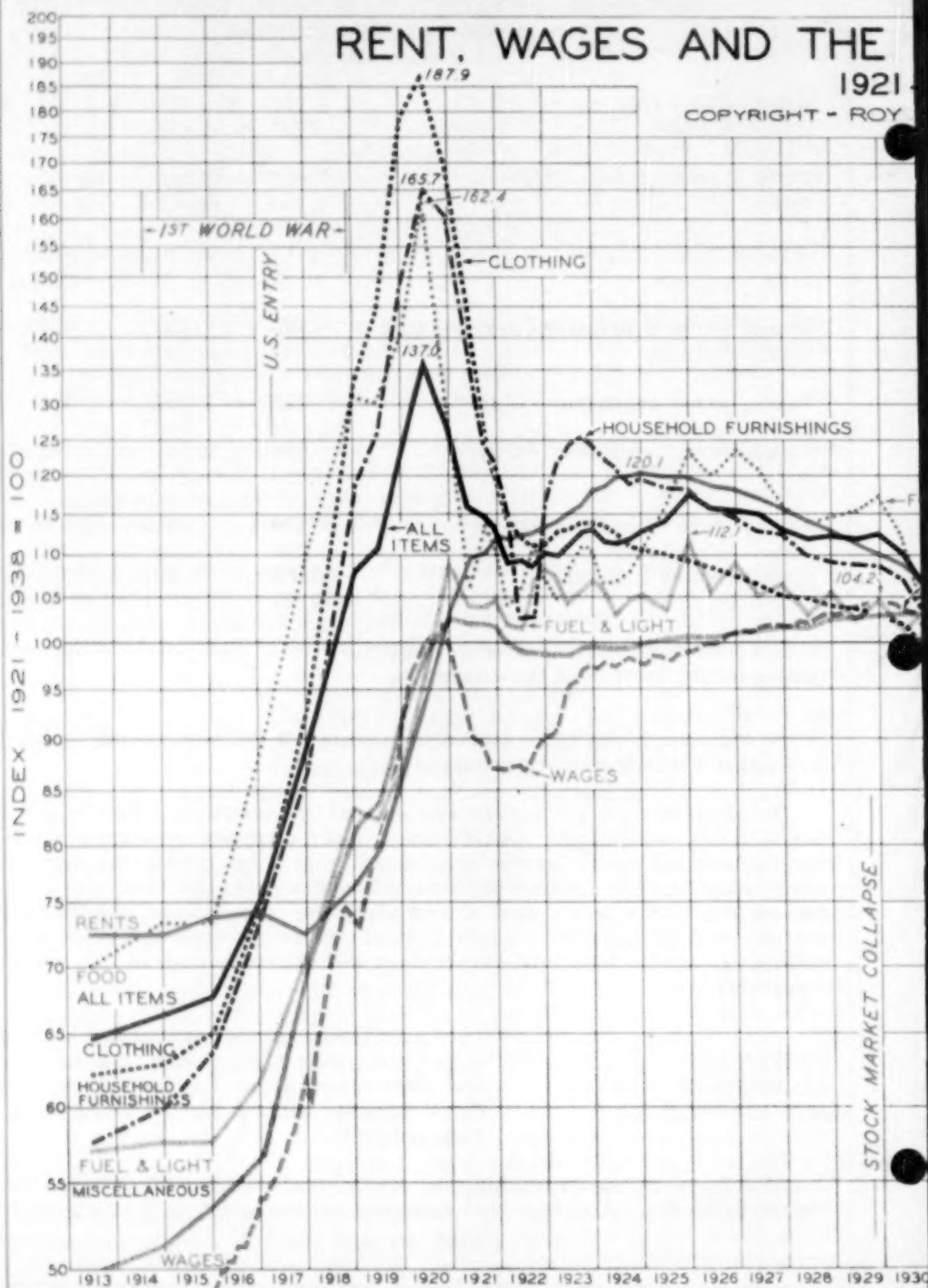
**SURVEY OF
SALES PRICES, TAXES
AND RENTALS**

Last month we mentioned our regular biennial survey of real estate sales prices, taxes and rentals. The table above shows the national averages for these various factors for the years 1942, 1946, 1948 and 1950.

With the exception of Washington, D. C., and Yonkers, New York, the cities reporting the highest rent on our standard six-room frame house were found in
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RENT, WAGES AND THE 1921

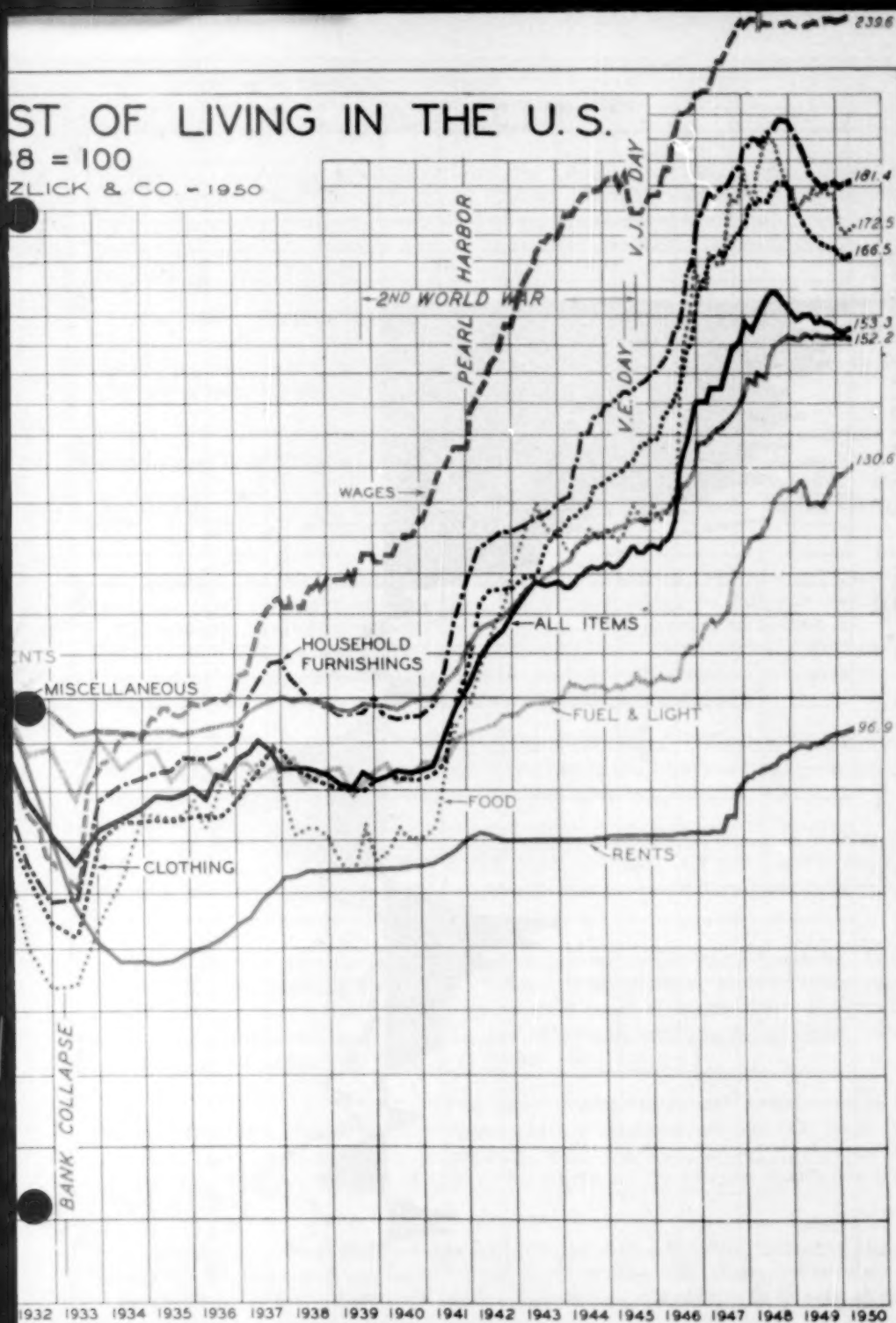
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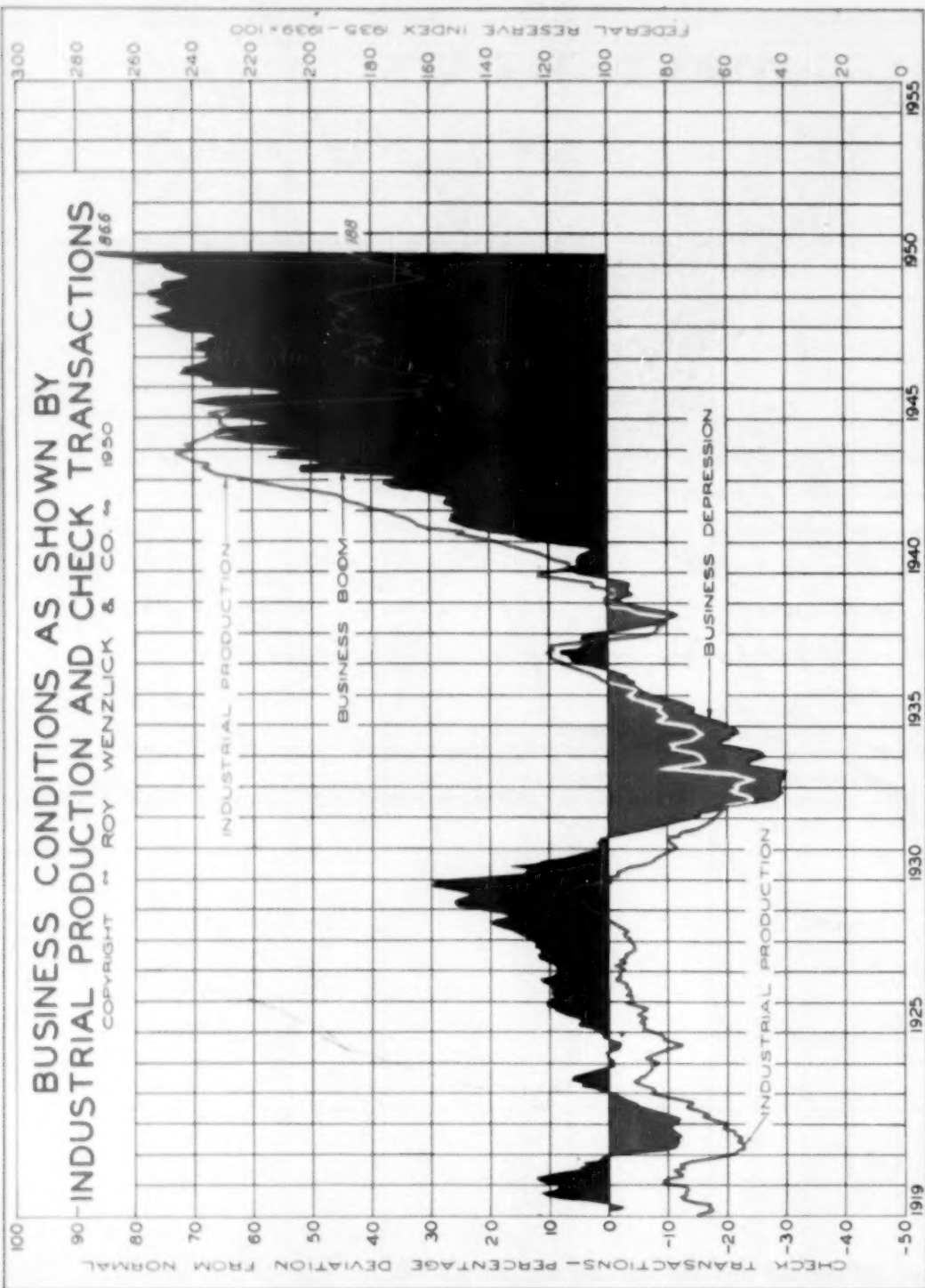
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BUSINESS CONDITIONS AS SHOWN BY 90-INDUSTRIAL PRODUCTION AND CHECK TRANSACTIONS

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(cont. from page 269)

the west and southwest parts of the country.

The city reporting the highest rent for 1950 on our standard six-room frame house was San Francisco at \$180 per month. Yonkers was next with \$179. Sacramento reported a probable rent of \$175 for this house; Spokane, \$170; San Jose, \$167; Salt Lake City and San Antonio each reported \$162; Washington, D. C., reported \$161; and Houston reported a monthly rental of \$160.

The lowest rents reported were all suburban. Warren, Ohio, reported that our six-room house would bring only \$71 per month in the suburbs. Wheeling, West Virginia, and Winston-Salem, North Carolina, raised the ante to \$72 and \$73 per month, in that order.

FARM REAL ESTATE

Farm real estate activity continued to fall during 1949 and the first part of 1950. From March 1949 to March 1950 the drop was almost 10%. The New

England region was the only region to show a rise in activity during this period. All other sections of the country showed decreases.

Although the period from November 1949 to March 1950 saw a 1% rise in the average value per acre of farm land, the picture of the entire year ending March 1950 was one of decline. In other words, average farm land values fell 4% from March 1949 to November 1949, and rose 1% from November 1949 to March 1950. For the nation as a whole, March 1950 average farm values per acre were still 4-1/2% below the postwar peak reached in November 1948.

The biggest declines were found on the West Coast. In California, the average farm land value per acre is now 19-1/2% below the postwar peak. In Oregon the drop has been 16.1% and in Washington the drop has been 13.3%.

Other substantial declines in farm values have taken place in Montana, down 13.7%; Wyoming, down 12.6%; Idaho and Colorado, off 11% each. Even Texas (where it is shocking to find that anything ever comes down) farm land values are off 9%.

Five States continue to ride the ebbing crest of the farm boom and their land values are still moving up slowly. They are Minnesota, where the average farm land value per acre has risen 3% in the last year; Illinois with a rise of 2-1/2%; Iowa (naturally) with a rise of 2%; and Missouri and North Carolina, where the rise in the last year has been just under 1%.

CONSTRUCTION VOLUME

Two new records were set in May. One was the unprecedented number of 140,000 new nonfarm dwelling units started during last month. The other was the all-time high of 1,207,000 starts for the twelve-month period ending May 31, 1950.

Through the first five months of 1950 the home building industry has started 534,700 nonfarm dwelling units. This is more than 50% above the number started during the first five months of 1949. The rate of construction is now at its high -

est point since 1927. This rate, expressed in new units per 1000 nonfarm families, reached 35.7 for the twelve months ending in May 1950 (33% above the preceding year). One year ago the rate was 26.7 new units per 1000 nonfarm families (and was to move still lower). The highest building rate in the history of the country was achieved in 1925 when it rose to 46.62 starts per 1000 nonfarm families. In 1923 the rate was 45.84 and in 1924 it was 45.56.

Because of the fact that the number of nonfarm families has increased so much in the last 25 years, it will require more than 1-1/2 million housing starts in 1950 to equal the record-breaking rate (of 46.62 starts per 1000 nonfarm families) set in 1925. Although there is a good chance that the volume of residential construction will set another new record this year, we believe that the 1925 rate of construction will stand as a record for many years to come.